March 3, 2025

Opposition- HB 2089

Informational Hearing

Dear Chair Hoheisel and Members of the Committee,

Thank you for providing the opportunity for us to share our perspective on this potential legislation. My name is Elizabeth Patton, and I am the State Director of Americans for Prosperity here in Kansas. On behalf of our activists across the state, we urge you to oppose the legislation in question, because while well intentioned, it will do little to solve the underlying problems being identified while simultaneously harming the very people its proponents seek to allegedly help.

Imposing price controls on credit card exchange fees is an incorrect policy because at its core, it fails to appreciate the fundamentals of economics. In instituting a price control that caps the price of fees on the exchange, credit issuers will simply reduce extending credit to consumers who would otherwise not have access to that critical tool.

This legislation seems to attempt to build off federal efforts in this space. The original Durbin Amendment was intended to lower costs for consumers and retailers, but there is little evidence to suggest this was the case. The Government Accountability Office found that without the Durbin amendment, 65% of non-interest checking accounts would have been offered free of charge by banks and 22% of retailers have raised their prices since its implementation. According to the Federal Reserve Bank of Richmond, many retailers have also failed to see any benefit. Only 11.1% of retailers experienced lower debit card costs and 31.3% of retailers saw these costs increase in the first two years after implementation. On small dollar transactions, those of $10 or less, the positive effects were even more narrowly distributed with only 2.8% of retailers seeing lower costs.

These types of efforts fail to promote competition, instead dramatically expanding the role of government to needlessly overregulate the market for credit cards. To attempt to redesign the credit system to comply with the mandates in legislation like this would be significant. These significant costs would threaten the billions of dollars in rewards that consumers receive every single year. Losing access to those rewards programs would also particularly harm small businesses and minority communities.

It is for those reasons that we ask you to oppose this ill-advised measure to undermine a robust and dynamic system of credit enjoyed by many Kansans and Americans around the country. Instead, legislators should focus on efforts to drive innovation, increase economic opportunity, and foster a culture of deregulation to spur economic growth. To that end, we stand ready to work with the legislature.

Sincerely,

Elizabeth Patton

State Director, Americans for Prosperity, Kansas